

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 DODE-00 PM-05 H-01 L-03 PA-01 /101 W
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R 020749Z AUG 78
FM USLO PEKING
TO SECSTATE WASHDC 1553
INFO AMCONSUL HONG KONG
AMEMBASSY TAIPEI
AMEMBASSY TOKYO

C O N F I D E N T I A L PEKING 2364

E.O. 11652: GDS
TAGS: ESTR ETRD CH US

SUBJ: GENERAL ELECTRIC NEGOTIATIONS WITH THE PRC

1. ED NAYLOR OF GENERAL ELECTRIC CALLED AT USLO JULY 31 TO DISCUSS THE PROGRESS OF GE'S NEGOTIATIONS WITH THE PRC AND TO MENTION POSSIBLE FUTURE PROBLEMS. NAYLOR HAS BEEN IN PEKING WITH A GE NEGOTIATION TEAM FOR ABOUT TWO WEEKS DISCUSSING A VARIETY OF PROPOSALS WITH THE PRC.
2. GE BELIEVE THAT IT IS COMPLETELY REHABILITATED WITH THE PRC, AND ITS CONNECTIONS WITH THE ROC HAVE BEEN FORGOTTEN OR FORGIVEN. THIS VISIT WAS AT PRC INITIATIVE (ALTHOUGH THE ORIGINAL PROPOSAL FOR A SEMINAR ON DIESEL-ELECTRIC LOCOMOTIVES CAME FROM GE IN 1976.), AND ONCE GE WAS IN PEKING THE SUBJECTS OF DISCUSSION HAVE EXPANDED.
3. GE, ALONG WITH ONE OTHER AMERICAN FIRM, ONE BRITISH, ONE FRENCH, ONE GERMAN, ONE SWEDISH, AND ONE
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JAPANESE FIRM HAVE BEEN DISCUSSING THE SALE OF ABOUT 100 LARGE DIESEL-ELECTRIC LOCOMOTIVES WITH THE PRC. GE BELIEVES THAT THE TOTAL CONTRACT, INCLUDING TECHNOLOGY, SHOULD COME TO AS MUCH AS \$100 TO \$150 MILLION. NAYLOR SURMISES THAT THE PRC'S INABILITY TO PRODUCE A WORKABLE 4,000 HORSEPOWER DIESEL ENGINE AT THE TALIAN LOCOMOTIVE WORKS AND THE FEBRUARY 7 LOCOMOTIVE PLANT NEAR PEKING IS

THE REASON FOR THE LARGE PURCHASE PROPOSED.

4. JUST PRIOR TO HIS DEPARTURE, GE WAS ASKED BY THE CHINESE TO PREPARE A SEMINAR ON GAS TURBINE ENGINES. WHEN ASKED WHAT THE PRC HAD IN MIND, THEY WERE TOLD THAT THEY WERE INTERESTED IN A GE ENGINE WHICH COULD BE USED EITHER FOR THE TRIDENT (OF WHICH THE PRC HAS 33) OR FOR THE NEW EUROPEAN A-300 WIDE-BODIED TRANSPORT. GE DOESN NOT BELIEVE THERE WOULD BE EXPORT CONTROL PROBLEMS WITH THE ENGINE AS LONG AS IT IS ASSOCIATED WITH PARTICULAR AIRFRAMES. . IN ANY CASE, IT IS NOT A SPECIFICALLY MILITARY ENGINE LIKE THE ROLLS-ROYCE SPEY.

5. THE PRC HAS ALSO EXPRESSED AN INTEREST IN THE LM-2500 GAS TURBINE ENGINE. GE IS AWARE THAT THERE IS ONE TYPE OF THIS ENGINE FOR USE IN DESTROYERS, BUT BELIEVES THAT ANOTHER VERSION MIGHT BE LICENSABLE TO THE PRC.

6. IF GE DECIDES TO GIVE THE SEMINARS, IT WILL RAISE THE XPORT CONTROL PROBLEMS WITH COMMERCE.

7. THIS INFORMATION IS COMERCIALY SENSITIVE AND SHOULD NOT BE REPEATED OUTSIDE THE US GOVERNMENT.
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